

Global Acquirer Trends 2023

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KEY TRENDS

- Global M&A activity saw a small rise of 0.5% in 2023 by number of announced transactions; although the APAC region witnessed a significant slowdown with a 13% decline
- Analysis shows that purely domestic deal activity grew, with an increased preference for acquirers and investors to transact ‘at home’ – domestic deal activity grew 10% in North America
- In the UK & Ireland, a vibrant software sector performed particularly well, with the volume of software deals in the region up by 41%

Overview

Welcome to the 11th bi-annual edition of Arrowpoint Advisory’s *Global Acquirer Trends* (GAT) report, illuminating global M&A activity in 2023. Since 2017, our data has tracked the volume of deals globally to provide insights into where acquirers and investors are choosing to deploy their capital, and how economic trends and geopolitics are shaping investment themes, not only by region and technology but also by industry.

Global Activity Recovers, APAC Softens Further

In the context of rising interest rates, persistent inflation, economic fragility, and geopolitical tension, global deal volumes proved remarkably robust. Only APAC registered a double-digit decline in 2023 (-13%, compared to an average rise of 7.7% across other regions), reflecting ongoing concern about China's slow and patchy recovery, as well as unpredictable policy challenges, leading to a contraction in both inbound and domestic investment.

Overall deal volumes in Europe also declined, but by a much more modest -2%, and more closely mirrored the global picture. In other words, in many regions, domestic dealmaking increased strongly, more-or-less offsetting any weakness in inbound cross-border deals caused by a more risk-averse acquirer community or heightened scrutiny of international acquirers. The notable exception was activity in the Rest of World region – primarily Africa and Latin America – where deal numbers continued to grow strongly, both in terms of



Digging into the data further highlights the primary sources of activity across regions and the ongoing shifts in global M&A patterns. In the largest markets, APAC and North America, some 80% of deals were domestic, an increase on 2022. The significant rise in North American domestic deal volume (+10%, or over 750 deals), may point to the impact of strong stimulus from the Inflation Reduction Act, particularly as US outbound investment to most other regions reduced.

The increase in domestic deals across European geographies (Continental Europe, the Nordics and UK & Ireland) took the proportion of home-grown transactions to close to 60% in each region, as international investment pulled back. Once again, Rest of World was the outlier, with domestic deals accounting for just one-third of transactions as the proportion of inbound deals increased more rapidly.

Despite political rhetoric and ongoing tension between the US and China, APAC was the most active region for inbound M&A into North America (20.5%), and North America accounted for the largest percentage of deals into APAC (30.7%). By number of deals, APAC investment into North America (387) exceeded those into Continental Europe, the Nordics, and UK & Ireland combined (354).

North America also accounted for the largest percentage of inbound deals into the UK (44.2%) and into Rest of World (37.7%). However, APAC deals into Rest of World nearly doubled to 140 in 2023, giving APAC an increased share of activity (14.5%) and narrowing the gap with Continental Europe as the second most active source of acquirers in the emerging regions.

US investment into mainland Europe was much less significant in 2023 as a percentage, representing roughly one-fifth of Continental Europe inbound activity and 15% in the Nordics. Continental Europe was the largest source of inbound deals into the Nordics (25.9%), further illustrating the intensity of capital deployment across the European Union bloc.

Software Dominates, Emerging Markets Health Drives Increased Activity

Our analysis shows the scale and continued sectoral growth of technology sub-sectors globally. Software remained by far the largest sector for activity in 2023 in all geographies, although activity declined in absolute terms sharply in APAC and turned down modestly in Continental Europe. Continental Europe lagged other regions when it came to the importance of software deals in the M&A mix (17%) compared to a greater prominence of these deals in North America (23%), the UK & Ireland (23%), and APAC (19%).

Europe also lagged in financial services, where sector deals represented between 8% and 9% of all deals in both UK & Ireland and North America, 7% in APAC, over 10% in Rest of World, but only 5% in both Continental Europe and the Nordics.

APAC remains a focal point for semiconductor activity, despite explicit support for the sector in the US's Inflation Reduction Act, and concerns about the US tech industry's reliance on Taiwan. There were 263 deals in APAC in 2023, just five fewer than 2022, and far in excess of the 103 in all other geographies combined.

The scale and private pay nature of the US healthcare system continues to be a driver of robust M&A activity, with the region accounting for 44% of all medical (non-pharma) deals in 2023. However, growing APAC interest in healthcare is evident in the scale of activity across the region, while its progress in drug development and manufacturing is shown by the volume of pharma deals – 60% ahead of North America and 160% more than Continental Europe. Other signs of APAC's growing prosperity are evident in the number of deals in the automotive industry, which far outstripped other regions and contributed to increases in inbound activity in the UK & Ireland, the Nordics, and the Rest of the World regions.

UK & Ireland Acquirer Activity Grows Strongly

The impact of the uncertainty caused by Brexit appears to have settled, even if trade friction is greater than in the past. Growth in UK & Ireland M&A activity was higher than in any other region, both in percentage terms and absolute numbers. That increase was fuelled almost entirely by a 56% rise in domestic volume, a figure that nonetheless includes cross-border investments from the UK into Ireland (and vice versa), highlighting essential trading relations across the British Isles and the UK's inextricable ties to its closest EU partner.

The clear and continued dominance of inbound investment from North America into the UK & Ireland also indicates the relative value US acquirers see in the region's businesses, as well as the convenient foothold that M&A can provide into the broader European continent.

By sector, acquirer activity shows UK & Ireland's impressive presence in software, (showing +41% growth in 2023), particularly in mid-market companies, as well as robust growth in the region's primary economic engine, the services sector (+26%). Most sectors witnessed increased activity in 2023, underlining the scale of opportunity and acquirer appetite for successful UK businesses in attractive niches with long-term growth drivers.

The clear message from our *Global Acquirer Trends* data is that international M&A activity remains resilient in the face of ongoing macro and geopolitical upheaval, but that acquirers and investors have found it easier – and perhaps less risky – to double down on home-grown opportunities or reach further into emerging economies in the pursuit of faster growth and better value.

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